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ABSTRACT

In this paper, the political and economic forces influencing attempts to reduce the inequalities in education expenditures are examined. Current programs for financing public education (local, State, and Federal) are compared. In general, State-local tax systems are found to be regressive and improvements are suggested. Inequitability of State aid formulas for equalizing funding sources is criticized. The inadequacy of the present systems, both in acquiring funds and utilizing them effectively, is analysed in terms of taxation methods and the quality of educational opportunities. Major forces of public dissatisfaction are enumerated and illustrated by court cases. Proposals offered for restructuring the financing of education include: (1) utilization of local property tax for local government costs; (2) redistribution of educational resources to establish a State-wide revenue system; (3) assumption by the State of educational financing; (4) increase in the use of State personal income tax to displace the property tax as a major source of school funds. In this plan, the Federal government is advised to provide funding by adopting either the traditional functional aid approach, the self-help approach, the "Fiscal Relief" approach, or a combination of all three. The types of social policy likely to emerge in response to changes in educational financing procedures are detailed in the hope that a restructuring of the financing system will promote greater educational equality. (Author/NI)

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SCHOOL FINANCING:

Movement Toward Equality of Expenditures?

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U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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The focus of this paper is an examination of the forces, political and economic, influencing attempts to reduce the inequalities in expenditures for education that currently exist. This will involve a description of the present programs for financing public education, flaws in such programs, forces for change, discussion of proposals for change and finally, an analysis of what kinds of proposals are likely to be implemented and their probable outcomes.

It must be admitted at this point that equality of expenditures may have very little to do with equality of educational opportunity in terms of equality of achievement. No one can say for sure that equality of expenditures, an input variable, will result in equality of educational opportunity (Reinhold, 1972). From the Coleman Report and Racial Isolation in the Public Schools, there are indications that equalizing facilities may not result in an improvement of education if black and white children are forced to attend school in social isolation based on class (Kirp, 1968). Moreover, it is acknowledged that ghetto schools will need more dollars, rather than equal dollars, to approach the quality of suburban schools. However, no court has recognized the legal right of ghetto schools to such funds (Bell, 1972). Two cases (McInnis, 1968; Burruss, 1970) which attempted to have the courts affirm the principle that funds should be distributed on the basis of educational need were unsuccessful. Equality of expenditures is a standard that has already been successful in several cases (Rodriguez, 1971; Serrano, 1971; Van Dusartz, 1971); partly because it, unlike concepts such as "educational need," is a judicially manageable concept whose interpretation is quite clear. Further-

more, although the link between equality of expenditures and equality of educational opportunity is not clear, a comment by Coons is worth noting: "If money is inadequate to improve education, the residents of poor districts should at least have an equal opportunity to be disappointed by its failure." (Time, February 7, 1972). In a related vein, the U.S. District Court of Minnesota assumed educational expenditures were related to the quality of education, since otherwise it would have to assume that the tax dollars of large portions of the educational budget are, in effect, being thrown away (Van Dusartz, 1971).

Current programs for financing public education:

The state has plenary power with respect to taxation for schools. The state may collect school taxes or may authorize other units to collect school taxes. Many states have done the latter, making the financing of education a local function to a great extent (Wise, 1967). For 1970-71 the financing mix for public schools was approximately 50% from localities, 40% from states and somewhat less than 10% from the Federal government. The locally financed part of school costs has declined relative to the state and Federal parts over the last 25 years:

Percentage of school costs financed from

	Federal	State	Local
1969	8.6	40.8	50.6
1942	5.8	32.9	61.3

However, there is extensive variation among states as to the division of financial responsibility between state and local governments, varying from 84.1% provided by the state in Hawaii to 9.6% in New Hampshire (ACIR, 1971a). For 1970-71, the states of Alabama, Alaska,

Delaware, Louisiana, New Mexico, North Carolina and South Carolina provided 60% or more of the total revenues for their public schools; the states of Massachusetts, Montana, Nebraska, Oregon, and South Dakota provided less than 25% (New York Times, January 10, 1972).

In general, state-local tax systems are regressive, with the property tax, general sales tax and selective excises being the most regressive factors. Between 1964 and 1970 state-local reliance on property taxes as a source of revenue has declined somewhat:

Percentage of total state-local tax collections:

	1964	1970	
Property	44.8	39.2	
General sales	15.3	18.6	
Individual income	8.0	12.5	
Corporate net income	3.6	4.3	(ACIR, 1971a)

States and localities do not rely on the same mix of taxes for revenues. Looking at the states, general sales, selective excise taxes, and personal income taxes accounted for 75% of state tax collections in 1970. States do not rely on the same taxes equally; i.e., they rely on certain taxes heavily and others not at all. State legislatures have been sensitive to the regressive nature of sales and property taxes. Some have attempted to mitigate the first element by excluding food, drugs and medicines from sales tax. This is not a very good solution since all income levels benefit. A better solution would be to coordinate sales and property taxes with a personal income tax, granting credits or rebates for the first two via the third to low income individuals (ACIR, 1971a).

There has been an increasing use of the income tax by states. At present, 39 have an income tax and those states having it have made greater use of it; e.g., in 1957, state income taxes accounted for only 4.5% of state and local revenues; in 1970, this was up to

8.4% (ACIR, 1971a). State income taxes have not been as progressive as they might be since often the tax is applied only up to a certain income level and not beyond. Another trend in state taxes is the greater use of dual taxes: income and sales. At the end of the 1930's, only 16 states had both; by 1971, this number was 35 (ACIR, 1971a).

Although state tax systems could bear improvements in several respects, local tax systems come off badly by comparison. Nationally, the local property tax accounts for over 85% of local taxes. In 1969, property taxes financed 45.4% of the total school spending. Considering the state and local tax systems together, the state system has done better in terms of increasing revenue yields. Because of its reliance on sales and income taxes, which are elastic (responsive to growth in personal income), the state's portion of total state and local tax collections has increased significantly. Between 1942 and 1969, the state portion of own source revenues increased more rapidly than the local portion in all states but seven. It is partly because of the use of these elastic taxes by the state that the overall reliance of the state-local finance system on property taxes had declined, as previously mentioned (ACIR, 1971a). However, as will be discussed in detail later, even this reduced reliance on property taxes results in a financing scheme that is plagued with money crises and flawed with inequities.

So far, financing systems have been discussed only in terms of the sources of their revenue. However, the distributive aspects of state financing schemes with regard to education are of importance to all localities. Although the state share of educational costs varies from state to state, few localities could easily do without the state's contribution. Furthermore, although education is often

thought of as a local function, it is a function of the state, at least according to state courts (Wise, 1967). In line with this, all states provide some aid to localities via various state aid formulas. Each type of state aid will be considered in terms of its equalizing impact.

The earliest and simplest type of state aid is the flat grant. It provides for an absolute number of state dollars to be paid to each district per pupil or other unit. Its effect is generally a nonequalizing one; i.e., it has no effect on wealth differentials; it raises the average district offering but does not reduce the difference in offerings of rich and poor districts. A flat grant may be anti-equalizing when given on a revenue unit formula, e.g. "per teacher hired" (Coons, Clune and Sugarman, 1969).

Another type of state aid is a foundation grant. It is a guarantee by the state that a district will have a specified number of dollars available for each child if it will tax itself at a minimum, specified tax level. Districts that raise more than the minimum amount of dollars when taxing at the minimum level receive no aid. How equalizing its effects are depends on how low the state sets the minimum required tax rate. The lower the tax rate, the more a foundation grant approximates a flat grant in effect. Moreover, foundation grants can seldom achieve full equalization since above the guaranteed "foundation" level equal tax efforts result in different offerings which vary as a function of the wealth of the districts involved (Coons, Clune, and Sugarman, 1969).

A state aid formula which, in theory, is totally equalizing, is the percentage equalizing grant. Such a formula insures that any two districts which tax at the same rate for schools will have the same

dollars per student to spend regardless of their local wealth. Each district sets a budget and the budget is supported by the state in inverse proportion to the relative wealth of the district (Coons, Clune and Sugarman, 1969). However, this system has not been fully implemented anywhere for the following reasons:

1. Differences in assessed valuation per student vary greatly. Differences as great as ten to one are not uncommon. Affluent districts under the formula would have to pay the state money.
2. For the formula to be operational, one of two conditions must hold: either the state places a ceiling on educational expenditures per student which applies to all districts, or the state shares in educational expenditures at whatever level the districts choose. The first alternative is the one usually chosen. The end result approximates a foundation grant plan, especially if most districts choose to spend beyond the point at which the state contribution stops, as happens in New York State (Fleischmann Report, 1972).

Most state aid formulas involve a combination of the plans described above. E.g.:

1. state aid = (guaranteed amount - local amount) + flat grant
2. state aid = [guaranteed amount - (local collection + flat grant)] + flat grant

With the second formula, poor districts would receive the same amount of state aid through the foundation that they would if no flat grant existed. Only rich districts benefit by the use of the second formula over the first. This is exactly what happens in California and Illinois where the second type of formula is used (Coons, Clune and Sugarman, 1969).

Although the states have been looked to as a source of equalizing funds, as of 1971 they have failed in this role. The wealth of a district is still a major determinant of its educational expenditures; furthermore, poorer districts must tax themselves more to spend less than the more affluent districts (ACIR, 1971a; Fleischmann, 1972). Several inequities are inherent in the state aid formulas instituted by states:

-- Some cities have less taxable property per school age child than suburbs. This often means they get less money while urban school children cost more to educate and other nonschool services compete with education for tax money (Koerner, 1968).

-- Original rural bias in state aid formulas has now become a suburban bias, even though it is now the cities that need help (Cohen, 1969; Fleischmann, 1972). E.g., in Racial Isolation in the Public Schools (1967), it is noted that in 1964, in 7 out of 12 metropolitan areas, states were contributing more per pupil to suburban schools than to city schools.

-- With the passage of time, actual expenditures in all districts come to exceed foundation amounts by a wide margin (Wise, 1967).

Why do formulas embodying such inequities continue to be used? As will be elaborated later, such formulas are not arrived at by men considering questions of equity alone. Rather, state aid formulas originate and are shaped (or distorted) in a political context. Although state education departments are officially responsible for drawing up plans, they are answerable to legislators who, in turn, are responsive to their constituents. Assuming that the more affluent parents will use the political process to their advantage if threatened, many state legislators may choose to temper their concern for equality

with political considerations such as re-election (Cohen, 1969). If such inequities are to be eliminated, political maneuvering, not moral preachments, will be the probable cause.

Forces of Change:

The inequities described above have existed for some time. At present they have been a topic of discussion in the context of a larger crisis facing education: not only does the present system of financing education result in inequality of expenditures, but it also seems incapable of meeting the rising costs of education. The crisis of rising costs and inadequate revenues in combination with several court cases dealing with the inequality of expenditures issue constitute two forces for change, encouraging a restructuring of the current systems for financing education. The rest of this section will be spent in discussing each.

Inadequacy of the present financing system:

There are three criteria commonly used in evaluating a tax:

1. equity; i.e., the extent to which the tax is based on ability to pay. One measure of this is the progressiveness/regressiveness of a tax.
2. elasticity; i.e., given a __% increase in personal income, does the revenue from the tax increase more or less than __%? If the answer is more, the tax is called elastic.
3. costs of administration

On all three measures, property taxes come out worse than sales and personal income taxes (ACIR, 1971b; Endorf, 1972). Furthermore, assessment is often made in an arbitrary manner, e.g., higher on modest homes than on mansions, or with generous exemptions for business (ACIR, 1971a; Endorf, 1972; Time, March 13, 1972).

There are other problems in using the property tax to finance education, which must be considered in terms of their impact on society rather than on the individual taxpayer:

-- spillover effects of education: It is questionable whether local taxes such as property taxes are suited to finance activities which benefit areas outside those where the revenue was raised. Education is obviously such an activity (ACIR, 1971a; Fleischmann, 1972).

-- The quality of educational opportunities is a function of the local tax base. The President's Commission of School Finance found enormous disparities between rich and poor districts in per pupil expenditures. The widest gap existed in Wyoming where the richest district spent $14,554, while the poorest spent $618 (New York Times, December 25, 1971). To a large extent, this variation is a function of the value of the local tax base (Wise, 1967). Tax rates in poorer districts are often higher than in wealthier districts, yet the expenditure per pupil is lower in the former (Endorf, 1972). Such disparities are not merely a problem in terms of equity. If the quality of educational resources has any effect on what the individual is capable of doing after his formal schooling is over, the potential of millions of children in school districts with poor tax bases must be affected adversely. Society, as well as the individuals involved, is the loser in such situations.

-- Property tax serves to enhance urban blight and suburban flight. Cities in the U.S. are in a bind: their tax bases have eroded as more affluent whites and businesses have fled to the suburbs; they suffer from municipal overburden in terms of the

costs of providing low income housing, public assistance and police protection. These services compete for the tax dollars with education (Racial Isolation, Vol. 1, 1967; ACIR, 1971a; New York Times, December 14, 1971). In a major city, only 1/3 of all local tax revenues may be available for education compared to 2/3 in suburbs (ACIR, 1971b). The above occurs at the same time that it costs more to educate city children, due to higher costs in the city and the presence of many children with learning problems (Sizer, no date).

In addition to the state of the cities, a flight to the suburbs is further induced by funding schools on the basis of local wealth. It makes it advantageous for groups that are homogenous in income to cluster in small, homogeneous communities. Limiting the scope of incomes minimizes the scope of redistribution so that the tax burden is not perceived as onerous, i.e., the taxpayers do not see a wide gap between the benefits they receive and the costs they pay (ACIR, 1971a).

All of the above suggests that a financing scheme free of the property tax would have much to commend it. However, the current furor would probably not be so strident if the present financing schemes for education were not inadequate in a more basic sense -- they cannot meet the rising costs of education, given the sources of their revenue. While federal expenditures have risen 120% over the past 12 years, state-local expenditures from their own sources have risen 180% (ACIR, 1971a). The federal government relies on elastic taxes; however, state and local governments do not have such an elastic source of funds and must raise revenues from more regressive taxes by increasing their rates. Unfortunately, there is a limit to how much states and localities are willing to raise their rates to

increase their contributions to education, since they fear that raising their rates too much will place them in unfavorable economic competition with other states and localities (Fleischmann, 1972). Furthermore, the citizen who votes is demanding tax relief, and not without some degree of cause. From 1960-70, the per capita tax burden has almost doubled due to state and local tax increases (Time, March 13, 1972). In spite of these increases, many states and localities are in debt. A New York Times survey of 27 states found that only 4 reported no serious financial problems (New York Times, December 14, 1971).

The schools have not escaped this crisis in state and local financing, especially since public education accounts for a significant proportion of state-local expenditures. A survey by the NEA of 63 of the nation's largest school systems found that 40 were operating under "crisis conditions" (New York Times, December 14, 1971). Voters have been showing their discontent by a high rate of voter rejection of school bond proposals (ACIR, 1971a; Time, March 13, 1972). In 1970, the impact of the taxpayers' revolt was visible in short period closings of schools in a few localities, mostly suburbs and smaller towns; by 1971, school closings threatened many big cities, e.g., Chicago and Philadelphia (New York Times, December 14, 1971).

This increasing public dissatisfaction is a major force encouraging state financing of most of public schools' expenditures. However, the ACIR (1971a) doubted that dissatisfaction with the local property tax would, in isolation, induce many states to assume full financing of education. It assumed that the full state funding movement would probably need a push from the courts and federal financial incentives if it were to become a reality in most states within five

years. Both forces are present now, with the Serrano decision in California and statements from Marland, the U.S. Commissioner of Education, that the President plans an increase in federal school aid (New York Times, December 17, 1971).

Court decisions:

Before discussing Serrano v. Priest, a brief description of the California school financing system seems warranted. In California, 56% of revenues for public schools come from local property taxes, 35% from state aid and 9% from the federal government. The tax bases within the state vary greatly: in 1969-70, the assessed valuation per pupil of elementary school age ranged from $103 to $956,156. To minimize the impact of such disparities on the type of education provided, the state has a foundation program which ensures that each district will receive $355 for each elementary school child. There are two parts to the foundation grant: a flat grant of $125 which goes to all districts, and an equalizing component which is given in inverse proportion to the wealth of the district (up to the $355 foundation level). The equalizing component falls far short of its goal -- large disparities continue in the level of per pupil expenditures:

State wide (1968-69)

	Elementary	High School
low	$ 407	$ 722
medium	$ 672	$ 898
high	$2586	$1767

For the two districts directly involved in the litigation:

	Per pupil expenditures	Tax rate
Baldwin Park	$ 577.49	$5.48 per $100
Beverly Hills	$1231.72	$2.38 per $100 (Serrano, 1971)

The California State Supreme Court, after examining California's financing system for schools, found the method of financing education with the revenues of local property taxes to be unconstitutional (ACIR, 1971a). [On 9/12/71, the California Supreme Court issued a modification stressing that the original decision was not a final judgment on the merits of the system, and that the existing system was to remain in effect until it was found unconstitutional (U.S. Law Week, 1971)].

The California Court decision was of interest on several points. Most importantly, it spoke of education as a "fundamental right" analogous to the right to vote and the right to legal counsel. Proceeding from this, the Court declared that the state's school financing system invidiously discriminated against the poor. Because the state's financing scheme was based upon wealth, a suspect classification, the court held it should be subjected to the "compelling state interest" test. Since the financing scheme could not pass this test, the state's financing scheme was struck down as violating the equal protection clause of the Fourteenth Amendment "because it produces substantial disparities among school districts in the amount of revenue available for education" (Serrano, 1971, p. 530).

Following the Serrano decision in California, courts in Minnesota (Van Dusartz, 1971), Texas (New York Times, December 25, 1971) and New Jersey (Time, February 7, 1972) have agreed that the quality of a child's education should not be a function of wealth, except the wealth of the state as a whole. Cases challenging the constitutionality of financing education with local property tax revenues are now planned in 23 states (Phi Delta Kappan, 1972). Several state legislatures have responded to Serrano by stepping up or initiating efforts

to relieve localities of the burden of local school support. E.g., Kansas is exploring alternatives to the local property tax; Minnesota has increased the state's support share from 50% to 65%; in Wisconsin a special study group is to be named; the tax reform program enacted by Ohio's legislature includes a statewide income tax to supplant property and sales taxes for school support; Michigan has a constitutional amendment in the works which would reduce the use of property taxes for the support of schools, with the slack to be met by statewide revenues (New York Times, December 14, 1971); and New York State's Fleischmann Report recommends full state financing of education (Fleischmann, 1972).

In the midst of the excitement surrounding the Serrano and related decisions, it is well to note what Serrano and the other court decisions did not do:

--They do not require absolute uniformity of school expenditure (Van Dusartz, 1971; Taylor, 1972).

--They allow local effort and choice to enter into the decision about the level of school expenditure.

In the words of the Minnesota decision, "The State remains free to pursue all imaginable interests except that of distributing education according to wealth" (Van Dusartz, 1971, p. 876).

Thus, although the courts have said the present systems are unconstitutional, they have not mandated any specific systems that must replace them. The Serrano decision's comment that a system could not produce "substantial disparities among school districts in the amount of revenue available for education" (Serrano, 1971, p. 530) still leaves the states several options:

-- local control - strong state equalization.

Local school boards can still influence level of spending because they would set the property tax rates which would be applied to a tax base equalized by the state.

-- state funding - limited local supplementation.
The state would fund the basic cost of education with local school districts supplementing state funds with a limited local property tax.

-- full state funding - no local supplementation.
This would go beyond Serrano in that it eliminates differences in spending levels caused not only by wealth differentials, but by local commitment differentials (ACIR, 1971a).

This last could be carried out by having state-wide property tax administration (Endorf, 1972). However, property taxes would not have to be the main source of school revenues -- the state could use any statewide tax (property, sales or income) or combination it desired (Wise, 1967).

The above options are the mere bare bones of policy proposals; the details of how each would be carried out, a statement of the goals they seek and of related consequences are all missing. In the following section a proposal for restructuring the financing of education will be described. This proposal was chosen because, in my opinion, if change in the financing of education occurs, many aspects of it will mirror recommendations and inducements noted in this proposal.

Proposal for change:

Recommendations of the Advisory Commission of Intergovernmental

Relations (ACIR, 1971a): In brief, the ACIR urged the state to assume the major financing role for schools with two goals in mind:

1. The local property tax could be used for local government costs.
2. A more equitable method for financing education would result.

The Commission asserted that if the educational system is to provide equal social and economic opportunity, educational resources must be redistributed. If this redistribution is to take place over the whole state, taxes must be levied state-wide.

In urging state assumption of the financing of education, the Commission notes several advantages:

1. It would improve the distribution of the benefits and the burdens of supporting schools. The spillover effects for localities would be eliminated.
2. It would reduce the detrimental effects on local government of competition for people and industry which results from the support of local schools by local property taxes. The occurrence of defensive zoning for economic reasons should also decline.
3. The states have better revenue sources than local governments, in that the former are more responsive to changes in the economy.
4. States can obtain economies of scale in tax administration.

Given these advantages of a state-wide revenue system, the Commission established two criteria for evaluating the quality of a state-local revenue system:

-- balanced use of a personal income tax and general sales tax
-- productive enough to finance most of the cost of elementary

and secondary education

In deciding on these criteria, the Commission was influenced by three considerations:

-- use of diverse tax sources: Using several taxes means that the rates for each can be kept at moderate levels. This causes less distortion in private sector decisions, which is economically more efficient.

-- greater emphasis on broadening the tax base: Both sales and income taxes do this when compared to the property tax.

-- greater reliance on revenue sources that are responsive to the economy: Both sales and income taxes are more elastic than the property tax.

As a result of these considerations, the ACIR recommends that states increase their use of the personal income tax to displace the property tax as a major source of school funds and to improve the quality of the state revenue systems.

The ACIR admits that federal government policies can greatly affect what happens. It notes that the likelihood of states assuming the financial responsibility for education would be increased if the federal government chose any of the following alternatives:

1. Traditional functional aid approach -- raise directly the federal share of school expenditures from its present 7% to roughly 25-40%.

2. Self-help approach -- help the states to finance most of the cost of local schools. This could be done through incentives such as federal tax credits to those states which increase their use of state personal income taxes or eliminate the regressive features of sales and property taxes.

3. "Fiscal Relief" approach -- reduce fiscal strains for state and local government by federal assumption of all welfare costs or by revenue sharing programs of a general nature with state and local governments.
4. Eclectic federal aid approach -- a combination of the approaches described above.

Policy Analysis:

This last section of the paper will discuss what kind of social policy is likely to emerge in response to two forces clamoring for change in educational financing systems: those who feel that present financing systems must be changed to better meet the rising costs of education, and those who feel they must be changed to eliminate many of the financial inequalities that inhere in them.

It is my contention that the social policy which results will be shaped more by the demands of the first group than by the latter. Furthermore, policy proposals directed toward the latter issue will be only minimally effective in achieving their intended outcome, i.e., a significant reduction in inequalities of expenditure. The reasons for both conclusions derive from a consideration of the relative political influence of the individuals and groups supporting each type or change or policy goal.

Each policy goal will be discussed separately in terms of the conditions favoring action, the strategy likely to be adopted to implement it, and issues related to the strategy.

A system for financing education that will be capable of meeting the rising costs of education:

A primary function of education in any society is providing an

adequate force of trained manpower. So far, in this country, education has fulfilled this function relatively well. However, its ability to do so in the future has been threatened by the inability of its present financing scheme to keep pace with the rising cost of education. Taxpayer revolts indicate citizens' increasing unwillingness to continue to support education in the context of present financing schemes. These conditions serve as an impetus to action.

Where expenditures for a public function are considerable, there is a tendency for citizens and officials to force a higher level of government to assume an increasing share of its cost in spite of such considerations as local control and responsibility (Bailey et al., 1962). Considered in this context, the ACIR's proposal that the states assume a large share of the cost of education appears to be a rather natural response to the situation. However, if the responsibility for the financing of education was simply moved from the local to the state level, the school finance problem would not be solved. Although state tax sources are more elastic than local sources, they could still bear improvement if they are going to keep pace with rising educational costs. Hence, the ACIR's recommendation that the states increase their use of the personal income tax makes very good sense.

Full state funding strategies must cope with two issues: fiscal cost and local control. The average state would have to raise its revenue by 31% to underwrite 90% of the cost of local schools. Many states would be hit very hard: Nebraska, 70%; New Hampshire, 79%; and South Dakota, 89%. As the ACIR notes, the federal government's actions can be important factors in a state's decision to assume re-

sponsibility for the financing of education. Sixteen states would be in a very good position to take over local school costs if the federal government provided aid in the form of welfare relief and revenue sharing (ACIR, 1971a). At present, the prospects look good that the federal government will increase the size of its contribution to education. The President's Commission on School Finance urged states to assume the main burden of financing public schools and to rely less on local property taxes. To encourage states to do so, the Commission said the federal government should distribute incentive grants to reimburse states for part of the cost (Ithaca Journal, March 6, 1972). The U.S. Commissioner of Education stated that the federal government should pay 25-30% of the cost of public education via a revenue sharing scheme (New York Times, December 17, 1971). If the above occurred, some states would still have to engage in large tax hikes if they assumed full state funding of education, but the fiscal cost problem would be mitigated for all states and significantly reduced for some.

The local control issue has been a concern with regard to education for quite some time. Coons, Clune and Sugarman (1969) do not feel that local control is at issue since local control in terms of units with power to perform their task of education has never existed. The Fleischmann Report (1972) questions what local control means to cities when funds to meet educational needs are limited and asserts that it is possible to have centralized financing and decentralized decision making. A study of school boards found that "local control" for many of them merely meant preoccupation with housekeeping details (Koerner, 1968). More significantly, a study of 10 states by the Urban Institute found no correlation between the degree of state

financing and the degree of state control (ACIR, 1971a).

It is unlikely that the local control issue will disappear because of the above. Instead of acting like the problem doesn't exist, several suggestions have been put forth to enhance local control within the context of state financing of education. The ACIR (1971b) and Endorf (1972) both suggest that the states make block grants to localities, leaving local school boards to decide how it is spent. Allowing the existence of override provisions, which would permit districts to increase the spending amount available by 5-10% at the local level,would give suburban districts the amount of flexibility they have now (Total state funding necessary to cure education ills, 1971). To provide for state autonomy from the federal government, Rep. John Dow is sponsor of a bill which would provide that states which assume 50% or more of the costs of education would receive their federal aid to education as a block grant. If provisions for block grants were made a part of federal and state plans for the financing of education, resistance based on local control arguments should diminish.

Just a decade ago, federal aid was resisted as undermining local and state control (Stevens, 1972). Yet, today a majority of residents in all areas (cities, suburbs) are in favor of federal aid to education (Zimmer and Hawley, 1968). Given the financial crisis facing the schools, it is likely that the same educational lobbies which are pressing for a larger federal role in education (New York Times, December 14, 1971) will support full state funding plans if an adequate amount of decision making power is left in their hands.

A system for financing education that will significantly reduce in-

equalities in expenditures:

Compared to the first policy goal, the factors serving as an impetus to action in this instance are weak. For the first policy goal, a need of society (an adequate force of trained manpower) and the wrath of a large number of taxpayers guarantees that some action will occur, and that the policy goal will be achieved to a large extent. In this instance, the principle of equity is the primary prod to action. However, the lack of equity does not threaten society (except in extreme cases) nor do the proponents of equity speak with much influence to legislative bodies. Consequently, although the desire for equity may motivate activity directed toward equality of expenditures, this policy goal is unlikely to be achieved. To substantiate this assertion, I will examine the past action and hypothesize about the future behavior of the Supreme Court, state legislatures and the federal government with regard to equality of expenditures.

Supreme Court:

The probability of the Court bringing about equality of expenditures is small for several reasons:

1. There is no assurance that the Supreme Court will arrive at a decision similar to Serrano and its descendents. In James v. Valtiera (1971), an article of the California constitution classified on the basis of wealth; yet the Court did not choose to subject the California article to any scrutiny and thus did not find the article in violation of the equal protection clause. Serrano, on the other hand, held that a suspect classification such as wealth required that the statute embodying it be subjected to the "compelling state interest" test.

2. Even if the Court affirmed that the state is obligated to see that equality of expenditures is initiated and maintained, this decision is unlikely to have much impact on what occurs, in Kurland's (1968) opinion. He lists three requirements, at least two of which must be present if any decision based on equal protection is to be successful:

-- the constitutional standard be a simple one

-- the judiciary have sufficient control over the means of effectuating the decision

-- the public acquiesce

In the context of these three requirements, he explains the failure of the Court with respect to desegregation and foresees the same result if the Court chooses to hand down a decision on equality of expenditures. Although the simple standard requirement would be met, the other two would not.

3. The fact that the Court has no machinery for enforcing its decisions is noted by several individuals (Wey and Corey, 1959; Coons, Clune and Sugarman, 1969). The impact of this weakness will be considered again later in the context of state and federal administration of programs.

4. The Court cannot take the initiative in dealing with violations; it must wait for someone to initiate a case (Blaustein and Ferguson, 1957). To the extent that poor individuals do not know that they are not receiving equal expenditures or cannot obtain legal services, the Court's mandate will not be maintained.

5. The Court's involvement tends to absolve from responsibility those who do have the resources to develop a solution. Hence, Court intervention on issues for which it cannot enforce a decision often

has the effect of delaying the time when the issue will be dealt with legislatively and perhaps be resolved (Kurland, 1968).

State legislatures:

With state legislatures, there are several forces operating against a standard of equal expenditures:

-- the professional educators: Teacher associations and associations of administrators play a large role in the politics of aid to education at the state level (Bailey et al., 1968; Koerner, 1968). One might assume that educators would be for greater equalization of expenditures. The evidence is to the contrary. In 1966, approximately 70% of administrators in a national survey indicated their belief that Title I funds should not be allocated on the basis of poverty, even though the outcome of this would have been to maintain inequalities (Murphy, 1971). Tumin and Bressler (1966) offer an explanation for this in their statements that superintendents, principals and teachers tend to measure the "quality" of a school by the success of its elite, which leads them to structure the school to maximize the achievements of the elite. Given this view, plans for equalization are threatening in terms of the anticipated effects on "lighthouse" districts.

-- the nature of state legislators' constituents: As a result of reapportionment, the suburbs have a significant voice in state legislatures (Koerner, 1968). In arranging new funding systems, richer districts are not likely to sit back and allow their advantaged position to be legislated away. In response to a power equalizing plan which would involve three times the tax effort on the part of districts like Beverly Hills, Beverly Hills, along with fifty other districts, decided to employ a management consulting firm to devise

an alternative (Reinhold, 1972). Such actions would probably multiply if equalizing plans were introduced in other state legislatures. Given the nature of legislators' constituents, it seems a bit naive to expect any truly equalizing plans to pass, since representatives of poorer districts are unlikely to form a sufficiently large group.

-- weak state departments of education: If by some miracle an equalizing plan were passed, the enforcement machinery of most state boards of education is usually so weak that a local district would be able to avoid compliance if it so desired, e.g., if the equalizing plan included a limited override provision, the local district might exceed the limit without fear of sanctions. Blatant examples of failure to comply occurred in Massachusetts in connection with Title I funds. In part this was due to state department of education Title I staff viewing their roles predominantly in terms of providing technical assistance and not as assuring compliance (Murphy, 1971).

The inability or unwillingness of state departments of education to enforce desegregation orders does not need to be elaborated here. However, it does point up an interesting coincidence of impotence -- neither the Court nor the state mechanism charged with seeing that enforcement occurred had sufficient power to do so in the face of local opposition.

The federal government:

On the basis of recent statements from the President's Commission on School Finance, one might assume that the President is committed to equalization of expenditures. E.g., one guideline that would be used in the determination of the amount of aid provided by

the state is that the same amount of money would be spent on each child (New York Times, December 3, 1971). However, it is hard not to question this commitment when his annual appropriation for Title I has been considerably less than that authorized by Congress (Fleischmann Report, 1972).

The federal government potentially could be a strong force for equalization by making the provision of aid contingent on compliance with policy statements. However, its performance with Title I funds does not lead to optimism. Flagrant violations occurred, yet sanctions were not applied for quite a while (Title I of ESEA, 1969; Murphy, 1971). This was due primarily to the U.S. Office of Education (USOE) lacking the political power to enforce the guidelines, since USOE staff were under pressure to not offend state and local officials. The end result was that Title I administrators came to see their constituency as federal, state and local officials rather than the poor. With regard to state Title I projects, the USOE, like the state Title I staff, saw its role in terms of providing consultation rather than monitoring. In a sense, Title I funds ended up being as free of strings as would current proposals whereby federal money would be given to states via revenue sharing schemes or in block grants with few or no requirements limiting how it could be spent.

In terms of hope for the future, it is interesting to note one instance when a USOE attempt at leadership worked out to the advantage of the poor. When it announced its criterion calling for the establishment of local parent advisory boards, public school lobby representatives were aroused, viewing such committees as a threat to their professional control. However, the USOE was not forced to defer to the professional educators, since this time there was a group pushing

from the other side -- the Washington Research Project which, carried out the study which exposed many violations of Title I guidelines. Compromise, not acquiescence, was the outcome (Murphy, 1971).

I noted this instance of "success" through the operation of countervailing power not to suggest that all we need are several more groups like the Washington Research Project and all will be well, but to suggest, like Bowles (1968) and Murphy (1971), the need to mobilize the poor, building a political base from which the poor can make their claims for a greater share of the available social resources. Political power, not references to higher moral principles, may eventually (very eventually) lead to the adoption of a school financing system that is as equalizing in its impact as it is intended to be in theory. At present, I don't think such political power exists among a very large segment of the poor. There are a few examples, but unfortunately not all of them are recognized as the positive forces that they are. E.g., Dr. Kenneth Clark, in labelling decentralization in NYC a failure, asserted that those involved had forgotten what the purpose was; i.e., the purpose was to improve the quality of education, not a struggle for power (Perlmutter, 1972). In my opinion, the two goals are not as mutually exclusive as they seem to be for Dr. Clark.

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